

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on its)
own motion, to make adjustments to the)
universal service fund mechanism)
established in NUSF-26.)

Application No. NUSF-50

Comments of The Rural Independent Companies

The Rural Independent Companies (the “Companies”) hereby submit their comments in response to paragraphs 29 and 30 of the December 19, 2006 Order (the “Order”) entered by the Nebraska Public Service Commission (the “Commission”) in this proceeding. The Order seeks comment on the proposal made by the Commission Staff in its post-hearing brief regarding the level of Nebraska Universal Service Fund (“NUSF”) support that should be made available to competitive local exchange carriers (“CLECs”) who obtain unbundled network elements (“UNEs”) from the incumbent local exchange carrier (“ILEC”).

The issue of NUSF support provided to CLECs is directly related to the rates that CLECs pay to the ILEC for UNEs. On February 28, 2006, the Commission opened two proceedings to investigate these two related issues. Docket No. C-3554 was opened to develop UNE rate zones for Qwest service areas consistent with the in-town and out-of-town Support Areas established in the NUSF-26 proceeding, and to establish UNE rates within each of those new zones. In the NUSF-50 docket, Progression Order No. 2 was issued to develop a method for determining the levels of NUSF support provided to CLECs consistent with the new Qwest UNE rate zones to be established in C-3554. In each proceeding, a Staff proposal accompanied the February 28 Order and comments were received from interested parties. To date, however, the Commission has taken no

action to adopt the new UNE rate zones or to adjust the level of NUSF support provided to CLECs.

The Companies agree with the view expressed by several commenting parties in the C-3554 and NUSF-50, P.O. 2 proceedings, as well as in the instant proceeding, that the Commission should complete the C-3554 and NUSF-50, P.O. 2 investigations, and should do so in an integrated fashion.¹ The Companies do not support the adoption of an interim method for determining NUSF support to CLECs, and, in particular, oppose adoption of the Staff proposal to eliminate NUSF support to CLECs in UNE rate zones 1 and 2 as outlined in paragraphs 29 and 20 of the Order.

The monthly rates that CLECs currently pay Qwest for UNEs were established in the C-2516 docket,² and are as follows:

Zone 1: \$12.14	Zone 2: \$28.11	Zone 3: \$62.49
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The levels of NUSF support currently provided to CLECs for residential lines in these Qwest zones were set in the NUSF-26 docket,³ and are as follows:

Zone 1: \$0.57	Zone 2: \$20.35	Zone 3: \$69.59
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Ignoring other costs and revenue sources, a CLEC's current net loop costs for residential lines in these Qwest zones are, therefore:

Zone 1: \$11.57	Zone 2: \$7.76	Zone 3: -\$7.10
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¹ See Application No. C-3554/PI-112, Qwest Corporation's Initial Comment, at p. 21; Application No. C-3554/PI-112, Reply Comments of Nebraska Technology & Telecommunications Inc., at p. 3; Application No. C-3554/PI-112, Qwest Corporation's Reply Comments at p. 11; Application No. NUSF-50, P. O. 2, Comments of Allo Communications, LLC *et al.* at p. 5; Application No. NUSF-50, P. O. 2, Comments of Embarq Corporation at p. 1; Application No. NUSF-50, P. O. 2, Comments of Nebraska Technology & Telecommunications, Inc, at p. 5; Application No. NUSF-50, P. O. 2, Qwest Corporation's Initial Comments at pp. 1-2; Application Nos. NUSF-4 and NUSF-50, Comments of Allo Communications, LLC at pp. 2-3.

² See Application No. NUSF-50, P. O. 2, Attachment A; *see also* Application No. C-3554/PI-112, Qwest Corporation's Initial Comment, at pp. 3-4.

³ See Application No. NUSF-26, Findings and Conclusions, entered November 3, 2004 at para. 27.

These UNE rates and NUSF support levels currently in effect create a perverse incentive for CLECs to target their competitive efforts in Qwest's Zone 3 where CLECs receive more in NUSF support than they pay Qwest for the UNE. The Companies believe this negative net loop cost in Qwest's zone 3 was one of problems the Commission sought to resolve through its C-3554 and NUSF-50, P.O. 2 proceedings. However, the elimination of NUSF support to CLECs in Qwest's zones 1 and 2 would do nothing to alleviate this uneconomic situation. In fact, by increasing CLECs' net loop costs in zones 1 and 2, it would create an even stronger incentive for CLECs to focus on zone 3. The Companies oppose adoption of this proposal, even as an interim measure.

In summary, the Companies recommend that the Commission complete the C-3554 and NUSF-50, P.O. 2 investigations, and that the Commission should do so in an integrated fashion rather than proceeding with the adoption of an interim solution to these porting issues.

Dated: February 2, 2007.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of February, 2007, the original and five (5) paper copies, together with an electronic copy, of the foregoing Comments of the Rural Independent Companies was served upon Andy S. Pollock, Executive Director of the Commission, by hand-delivery and electronically, and upon the following parties by email:

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